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SUBJECT: France: Telecom and Information Technology Update

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[1](#)1. This is another in a series of periodic updates on the French telecommunications and information technology sectors, including internet and e-commerce.

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[1](#)2. New Industry Minister Francois Loos: Following the GOF reshuffle on June 2, Francois Loos, 51, stays on as Junior Minister ("Ministre Delegeue") in the French Ministry Economy and Finance, but he switches portfolios from Foreign Trade to Industry. He was previously Junior Minister for Higher Learning and Research. Loos' background is not that of a typical politician. A graduate of France's prestigious Polytechnic School, and an engineer, he also holds a degree in Mathematics. Unlike many of his colleagues, he has a strong private sector background, which includes Secretary General of Research for French pharmaceutical giant Rhone-Poulenc, and CEO of Lohr SA Group, a manufacturer of industrial trucks and specialized vehicles. This combined foreign trade and industry experience should prove helpful as Loos deals with outsourcing from France to destinations in Eastern Europe and Asia, a growing phenomenon in France, which has cost an unprecedented 11,000 jobs in 2004, according to French economic magazine "L'Expansion."

[1](#)3. New Agency for Industrial Innovation partially financed by France Telecom (FT) stock sale: To double the budget of France's newly established Industrial Innovation Agency, French Prime Minister Dominique de Villepin reiterated during the Paris Air Show, on June 18, his intention to use 500 million Euros (USD 602 million) from the receipts of the recent France Telecom (FT) share sale, which raised some 3.4 billion Euros (USD 4.2 billion). The sale (see Reftel) reduced the GOF's stake in its former telecom monopoly by 6.2 percent to 34.9 percent. This came nine months after the government reduced its stake to a minority position. The Industrial Innovation Agency will now have a budget of some one billion Euros (USD 1.2 billion) to fund "national champions" in innovative areas, such as renewable energy, nanotechnology, and biotechnology.

[1](#)4. FT joins Warner Music in an International Partnership: Under the agreement announced on May 31, France Telecom will offer Warner Music's catalogue to all of its subscribers in France (Orange, Wanadoo and the fixed line network) as well as in Belgium, the Netherlands, Poland, Portugal, Romania, Slovakia, Spain, Switzerland and the UK. This will allow FT customers to download ring tones, full length music tracks and music videos either through their Wanadoo-provided Internet access or on their Orange mobile phones. The two partners will also work on content protection solutions, with support from France Telecom Research and Development and from Viaccess, an FT subsidiary specializing in secure content distribution.

[1](#)5. FT reported to be eyeing Cable and Wireless: Speculation is growing that France Telecom is preparing a takeover bid for British telecom operator Cable and Wireless. The story first appeared in the June 19 edition of the British Sunday Telegraph. Since then, FT has been busy denying the rumors. However, observers point out that there has been a 22 percent rise in Cable and Wireless shares since the beginning of May, suggesting that investors are expecting a takeover. Furthermore, the move would allow France Telecom to consolidate the French operator's diverse

interests in the UK, which include mobile phone operator Orange.

16. ART changes name to ARCEP as its authority expands to postal services: Following the deregulation of French postal services in mid-May, the original domain of the French Telecom Authority (ART) has expanded to postal services, and thus ART transformed into the Electronic Communications and Postal Services Authority or ARCEP. As a result of the law implementing the 2002 EU directive on postal services, the French state-owned company La Poste will lose its monopoly of mail services below 50 grams. Under these new criteria, competitors to La Poste will be afforded authorization in ten-year cycles by ARCEP.

17. ARCEP withdraws mobile phone regulation plan: France's telecom and postal services regulator ARCEP said in mid-June that it was withdrawing its plan to bring greater competition to the country's mobile-phone market after the EU said the move was not justified. ARCEP wanted permission to force France's three mobile operators (Orange, SFR and Bouygues Telecom) to open their networks to lower-cost Mobile Virtual Network Operators (MVNOs). EU Commissioner for Information Society and Media, Viviane Reding, said that ARCEP had withdrawn its notification relating to Market 15 (mobile access and call origination), but that it would provide quarterly reports to the European Commission about the status of MVNO access.

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